4 KEEPING COLLEGE TUITION AFFORDABLE AND PREDICTABLE

Overview

Washington, like many states, does not have a comprehensive tuition policy for resident undergraduate education. As a result, tuition increases generally have fluctuated in a cyclical pattern: increasing moderately when state revenue is high and increasing sharply when state revenue is low. The absence of a tuition policy has made it difficult for students and parents to anticipate college costs and for Washington's Guaranteed Education Tuition program, the state's prepaid college tuition plan, to plan for long-term affordability. It also has potentially devastating consequences for thousands of financially needy families who often do not have the financial reserves to respond to unexpected spikes in tuition.

Washington needs a state tuition policy that keeps tuition predictable and affordable for students and families while maintaining the high quality of education at the state's public colleges and universities. Specifically, the Higher Education Coordinating Board recommends that the state adopt the following tuition policy for resident undergraduate tuition and fees at Washington public two-year and four-year colleges and universities.

Short-term Tuition Policy

- Tuition and fees should not increase by more than 31 percent during any consecutive four-year period (average increases of 7 percent compounded).

- Annual tuition increases should be spread as evenly as possible over this four-year period and no annual increase should exceed 10 percent.

Long-term Tuition Policy

To develop a long-term tuition policy, the Higher Education Coordinating Board will conduct a feasibility analysis of alternative tuition policies and make recommendations to the governor and legislature for consideration during the 2006 legislative session. The board believes that the feasibility analysis must consider three components:

- Capping annual tuition increases for resident undergraduates at 7 percent for low-income families;

- Linking tuition to families' ability to pay; and

- Ensuring that the state will uphold its commitment to Washington's Guaranteed Education Tuition Program and its long-term sustainability.

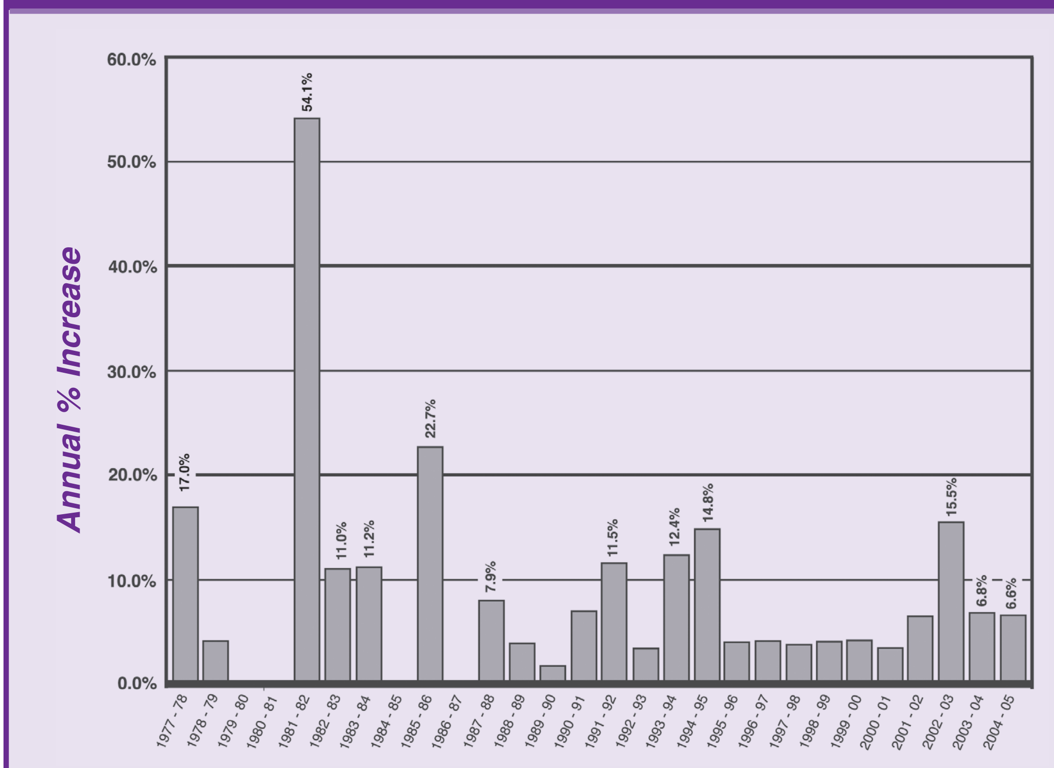
Individual public colleges and universities that could not adequately operate within these tuition frameworks would be able to negotiate performance contracts with the HECB and the Office of Financial Management, with final approval by the legislature. Performance contracts would offer greater flexibility in setting tuition while requiring a greater level of institutional accountability. Participating colleges and universities would be required to off-set any additional program funding requirements resulting from the tuition increases.

Analysis

Resident undergraduate tuition rates at Washington research universities have increased an average of 7 percent annually over the past 20 years. While actual annual increases have varied dramatically, the long-term average hovers around 7 percent. Yet, these tuition increases have been neither gradual nor predictable. Significant spikes in tuition have occurred in every recession since the 1970s. This cyclical pattern results in higher tuition hikes during recessions when demand and unemployment are highest and average family incomes are flat or rising only slightly.

Annual tuition increases have fluctuated since the 1970s

(average annual increases in undergraduate resident tuition and fees)



Washington's historical approach to setting tuition

From 1977 to 1995, the legislature and governor set tuition as a percentage of the cost of instruction. Under this "cost-sharing" approach, the student contributed a portion of the cost and the state provided the remainder. From 1995 to 1999, the legislature and governor limited tuition increases to 4 percent per year. Since 1999, local four-year institutional boards and the State Board for Community and Technical Colleges have been allowed to set specific rates for resident undergraduates up to the following maximum limits:

1999-2000:	4.6 %	***2002-2003:***	16% (UW, WSU), 14% (CWU, TESC, WWU, EWU), 12% (community and technical colleges)
2000-2001:	3.6 %	***2003-2004:***	7%
2001-2002:	6.7 %	***2004-2005:***	7%

Implementation Plan

1. The HECB recommends the legislature and governor adopt this tuition policy beginning with the 2005-06 academic year.

Since state budget constraints may affect the ability and willingness of the legislature to limit tuition increases to 7 percent annually, a certain amount of flexibility must be involved. When circumstances dictate, tuition could increase by up to 10 percent in any one year. The initial four-year period under this proposal would commence with the 2005-06 academic year.

Performance measures

- Tuition increases over four consecutive years, beginning with 2005-06.
- No annual tuition increases over 10 percent approved in any one year.
- Changes in per-student appropriations to colleges and universities.[7]
- Changes in per-student appropriations for financial aid.[7]

7 These two measures will facilitate the evaluation of the interaction between tuition policies and state funding.

Estimated costs and revenues

- There are no direct costs to the HECB or the state associated with putting this short-term policy in place.

- Tuition rates always affect institutional revenues, but it is not possible to predict the impact of this proposal at this time.

- Likewise, any tuition increase has student financial aid implications. As such, the amount of general funds needed to maintain existing and historic service levels for student financial aid programs will increase.

Examples of ongoing related work

In 2003, the legislature and governor enacted Senate Bill 5448, which established parameters for tuition-setting through the 2008-09 academic year. Under this legislation, the legislature retained the authority to set tuition rates for resident undergraduate students. Unrestricted authority to set tuition rates for nonresident students and students at other levels was granted to the individual four-year institutions and the State Board for Community and Technical Colleges on behalf of two-year colleges.

2. The HECB will establish a task force to assist the board in completing the feasibility analysis.

At a minimum, the analysis will consider: (1) a sliding scale for tuition charges linked to students' ability to pay; (2) alternatives through which the state can maintain its commitment to purchasers of GET tuition units; (3) ways to protect the long-term sustainability and health of the GET program; and (4) policy implications of the tuition elements of performance contracts between the state and individual colleges and universities.

Performance measures

- Task force membership selected by April 2005.

- Final report and recommendations for legislative action prior to the 2006 legislative session.

Estimated costs

The feasibility analysis will be conducted within existing resources.

Examples of ongoing related work

The intent section of Senate Bill 5448 indicated that the state would use data from the six-year policy to identify options for long-term higher education funding, including state general fund support and tuition and financial aid sources.